STATEMENT OF CONSIDERATIONS

Class Waiver of Government Rights in Inventions Arising From The Use of Department of Energy Facilities and Facility Contractors By or For Third Party Non-Federal Sponsors (Work for Others) (W(C)95-009)

The Department of Energy (hereinafter referred to as the Department or DOE) and its predecessor agencies have long considered their Government-Owned, Contractor-Operated National Laboratories and other Government-Owned, Contractor-Operated facilities (both hereinafter referred to as either facilities, Contractor facilities, or Contractors) a unique and valuable national resource that should be made available to the extent feasible for research and development activities and studies for third parties, i.e., Work for Others. The Department and its predecessor agencies have developed policies, orders and regulations regarding when, and under what conditions, the Department's Contractors and the facilities they operate can be used for work sponsored by third parties.

It is the purpose of this Class Waiver to provide a waiver of rights to subject inventions under the authority of the Atomic Energy Act of 1954, as amended (42 USC 2182), and Section 9 of the Federal Nonnuclear Energy Research and Development Act of 1974, as amended (42 USC 5908), and the regulations of 41 CFR Part 9-9 promulgated thereunder, whenever third party Non-Federal Sponsors procure research and development and related technical services, or use of facilities, from the Department's Contractors on a cost reimbursable basis under the established Departmental programs for making such services or facilities available.

This Class Waiver supersedes the "Class Waiver of Government Rights in Inventions Arising from the Use of DOE Facilities and Facility Contractors by or for Third Party Sponsors" [W(A)82-017] granted on June 23, 1982.

The present Class Waiver does not apply to: 1) inventions covered by the "User Facilities Class Waiver" dated March 23, 1983, 2) inventions covered by the Class Waiver for Proprietary Users of Energy Research Designated User Facilities, and 3) inventions covered by the Defense Programs Deployment User Facility Class Waiver [W(C)94-011]. It does apply to inventions of "employee-like persons" of the Contractor performing work under a Work for Others Agreement. "Employee like persons" are defined in the Class Waiver for Particular Individuals at DOE National Laboratories [W(C)-90-014]. Hereinafter, references to inventions of Contractor's employees shall also mean inventions of employee-like persons.

This Class Waiver applies to third party Non-Federal Sponsors procuring research and development and related technical services from Departmental Contractors and/or use of Departmental Contractor facilities (i.e., work for and/or by others), for inventions made in the course of or under work by or for the Non-Federal Sponsor, by either the Non-Federal Sponsor or the Contractor:

(1) where the work to be performed is not subject to an existing (a) Interagency Agreement or Memorandum of Understanding with another Federal agency, (b) international agreement with a foreign governmental organization, or (c) contract, grant, or cooperative agreement with a state or local government, or private foreign or domestic party under the Department's programmatic activities, but is subject to a written agreement with the Department or its Contractor for work to be performed or facilities to be used under a Departmentally established or approved program for making such services or facilities available to third party Non-Federal Sponsors;

(2) where the work to be performed by and/or for the Non-Federal Sponsor is primarily the interest and work of the Non-Federal Sponsor, and is not sufficiently within the Department's programmatic mission responsibilities to cause the Department to support the work in whole or in part with direct program funding;

(3) where the Non-Federal Sponsor is providing the Department or the Contractor cost reimbursement for the services performed and/or facility used. For the purpose of this Class Waiver, cost reimbursement means (a) full cost recovery as defined in the Department order, regulation or policy under which the work by or for the Sponsor is performed, (b) full recovery by the Department of the direct costs to the Government under the Contractor's contract, or (c) any other reasonable and equitable approach to obtaining full recovery of direct Government costs approved by the Department activity managing the facility contract; and

(4) where the terms and conditions of the written agreement between the Sponsor and the Department or its Contractor have been or are approved by Patent Counsel.

Research and development work performed by the Department Contractors and/or in the Department Contractor facilities by third party Non-Federal Sponsors creates a benefit to the Department, the Sponsor and the general public. Such services and facilities are made available to Non-Federal Sponsors as long as the performance of the services does not interfere with the

Department program activities. Access to the services and facilities must not be in competition with private research and development facilities, and the services and facilities must be available to all qualified Non-Federal Sponsors equally. While the Government is reimbursed for the costs incurred, the facility and Contractor are assured of the maintenance of the Contractor's capabilities, are provided the opportunity for stimulation and growth through the challenge of commercially-related research and development activities, and are provided an additional opportunity for transferring Government-developed technology to commercial utilization. The Non-Federal Sponsor, on the other hand, has the use and application of a unique research capability to its own research problems which would otherwise be unavailable on a reasonable basis, if at all.

The early experience of the Department and its predecessor agencies, however, was that efforts to make Contractor facilities available to third party Non-Federal Sponsors did not meet with widespread success. The reason for this, at least in part, was attributed to the actual or perceived patent and data policies under which the facilities were available. Under Atomic Energy Commission policies, the Government took title to inventions, and any technical data generated was made publicly available. Under Energy Research and Development Administration policies, waivers of title to inventions were available on a case-by-case basis and privately developed proprietary data of the Sponsor could be protected. Under present policy, the Sponsor normally may elect to retain title to all inventions made under the performance of a Work for Others Agreement. Also, under the present Work for Others practice, the Sponsor normally may review and remove all technical data arising at the Contractor facility under a Work for Others Agreement. This approach has not been entirely satisfactory to the Sponsors, inasmuch as it is unclear to a Sponsor what rights it has in the technical data for which it has paid 100% under the Work for Others Agreement. Further, a second option for retaining title to an invention was not available to the Contractor, requiring the Contractor to request an identified invention waiver on a case-by-case basis where the Non-Federal Sponsor elected not to retain title to the invention. This has created an additional burden on both the Contractor and DOE.

Therefore, the scope of this Class Waiver is directed to an advance waiver to the Non-Federal Sponsor of title to certain inventions made by employees of both the Sponsor and the Contractor under the class of Non-Federal Work for Others Agreements entered into. Although this waiver includes within its scope inventions of the Sponsor, it is not necessary that every Work for Others Agreement include a patent clause covering inventions of employees of the Sponsor. A patent clause covering inventions of the Sponsor is only required as a matter of law if the Sponsor is performing work under the Work for Others Agreement.

Where a Work for Others Agreement allows a Sponsor to elect to retain title to an invention of the Contractor or of the Sponsor, this Class Waiver also provides that the Contractor may elect to retain title in an invention if the Sponsor elects not to retain title. Where a Work for Others Agreement does not allow a Sponsor to elect to retain title to an invention of the Contractor's own employees, this Class Waiver also provides that the patent clause of the prime contract between the Contractor and DOE shall normally apply to inventions made by the Contractor's own employees. This waiver is consistent with the objectives and considerations of the Department's waiver regulations. It is believed that this waiver of title to such inventions to the Non-Federal Sponsor is in the best interests of the United States and the general public, will best promote the commercial utilization of such inventions and make the benefits of the research effort available to the public in the shortest practicable time.

As with the prior Class Waiver, W(A)-82-017, this waiver is necessary in order to obtain a wider utilization by or for third parties of the unique capabilities and facilities of the Department's Contractors. Experience has shown that, without an assurance of title to resulting inventions, potential Sponsors will not be willing to enter into 100% reimbursable Work for Other Agreements. Without a waiver of title, they could find themselves in a position where title to vital technology is owned by some other entity, despite the fact that the Sponsor paid for the research which led to the creation of the technology.

As stated above, utilization of these facilities by and for third party Sponsors is not only a benefit to the Sponsor, but also to the Department, through the maintenance of the Contractors' capabilities, the experience gained by performing challenging research and development tasks and the retention of competent teams in the facilities for current and future Departmental missions. Also, such utilization better enables the Government to apply the technological and research capabilities at these facilities to commercial applications.

In order to insure such commercialization, waiver of title to the Sponsor of its employees' and the Contractors' inventions is subject to the right of the Department or the Contractor to license such inventions in the event the Sponsor ceases to actively attempt to commercialize such inventions. Where a Work for Others Agreement provides the Sponsor with a right to elect title to inventions, in the event that the Sponsor does not elect to retain title to a subject invention or decides it no longer wants to retain title to a subject invention to which it has elected to retain title, the scope of this waiver also provides that the Contractor may then retain title to that subject invention in accordance with and subject to the terms and conditions of the Contractor's contract with DOE governing title to subject inventions. Where a Work for Others Agreement does not provide the Sponsor with a right to elect title to a Contractor employee's invention, either because this Class Waiver

does not allow the sponsor to have such a right, or the Sponsor has declined application of the Class Waiver in advance of execution of the Agreement, then the Contractor or the Government may obtain title to Contractor's own subject inventions, normally in accordance with and subject to the terms and conditions of the Contractor's contract with DOE. The Government will obtain title where neither the Sponsor nor the Contractor elects to retain title.

Experience with the current Work for Others practice has led the Department to conclude that it is not always in the best interests of the United States and the general public to allow the Non-Federal Sponsors to retain title to the inventions of the Contractors. Therefore, this Class Waiver does not apply to Work for Others Agreements when:

(a) The Contractor believes that any invention that might be made would be a research tool, (e.g., a transgenic animal or a DNA sequence), and there is a Departmental and public interest in having the tool available to many potential research and commercial organizations;

(b) the Sponsor is either foreign or owned or controlled by a foreign organization. If the Contractor believes that the Class Waiver should apply to a Work for Others Agreement with a foreign Sponsor, approval by the Operations Office Patent Counsel, with the concurrence of the cognizant Operations Office programs official is required;

(c) the Contractor believes the rights proposed to be granted to the Sponsor cover many fields of use, the Sponsor's interest is in fewer fields of use, and the Contractor believes utilization of the laboratory or commercialization of the underlying technology can be maximized by limiting the Sponsor's exclusivity in any inventions to a particular field of use; or

(d) the Contractor maintains that special facts exist and the situation is such that it is not in the best interests of the United States or the general public to grant the waiver to the Sponsor.

Where one of the above exceptions is applied the Contractor shall prepare and submit to DOE's Operations Office Patent Counsel a written record establishing that one or more of the situations in the preceding subparagraphs (a) - (d)exists.

The Operations Office Patent Counsel must finally determine that such situation(s) exist(s) or may delegate to the Contractor the authority to make such determinations independently of Patent

Counsel, but under guidelines issued by Patent Counsel. Delegation should not be given for exception (d) above, except that delegation can be given for item (d) where a similar fact pattern qualifying for exception (d) is likely to arise with regularity.

If one or more of the above exceptions applies to the particular proposed Work for Non-Federal Sponsors activity, the DOE Operations Office Patent Counsel will include in the determination or as part of any delegation a statement as to whether or not the Contractor is granted the right under this Class Waiver to take title to any inventions made by its employees in performing work under a Work for Others Agreement. Patent Counsel can approve other dispositions of title, although normally title should go to the Contractor. In situations where the Contractor gets title, it should consider granting an exclusive license to the Sponsor in a specified field of use. Where only exception (c) applies, the Sponsor must be granted a royalty free exclusive license in a predetermined field of use or fields of use corresponding to the Sponsor's interest as mutually agreed to by Sponsor and Contractor. The written record of exceptions, should be forwarded to DOE Headquarters. The Sponsor shall always be provided with a royalty free nonexclusive license for its own activities in any invention of the Contractor.

The scope of the Class Waiver to the inventions of either the Non-Federal Sponsors or the Contractors under Work for Non-Federal Sponsors Agreements does not include Work for Others Agreements which:

1. Relate to subject matter that is classified or sensitive under section 148 of the Atomic Energy Act of 1954, as amended, or which fall within the Department's weapons programs, where such inventions principally relate to weapons or inherently disclose or suggest a weapons application where such disclosure or suggestion would be detrimental to national security;

2. Relate to the Naval Nuclear Propulsion program;

3. Relate to of the uranium enrichment (including isotope separation) program;

4. Relate to storage and disposal of civilian high level nuclear waste or spent nuclear fuels;

5. Come within the ambit of international agreements or treaties in existence at the time of execution of the Work for Non-Federal Sponsors Agreement; or

6. Are subject to any other Exceptional Circumstance determination (e.g., Steel Initiative, U.S. Advanced Battery Consortium, etc.)

The availability of this class waiver to the Sponsor shall be automatic, and granted without a request or petition by the Sponsor, upon determination by the Contractor that:

(1) the work to be performed under the Work for Non-Federal Sponsors agreement is not covered by another contract or arrangement falling under the Department's statutory patent policy, and after consultation with the appropriate DOE Program Office, that the work is not of sufficient interest to the Department programmatic mission responsibility to justify the Department supporting the work in whole or in part with direct program funding;

(2) the Sponsor is providing appropriate cost reimbursement under appropriate Departmental policies for the services performed and/or facilities used;

(3) the inventions contemplated under the Work for Non-Federal Sponsors activities do not include any of those specifically excluded from the applicability of this Class Waiver;

(4) the terms and conditions for the reimbursable work agreement with the Sponsor comply with this waiver and instructions for its implementation as issued by the Assistant General Counsel for Technology Transfer and Intellectual Property; and

(5) an exception is not to be applied or an exception to the class waiver has not been requested in accordance with this Statement of Considerations.

This waiver of the Government's rights in inventions to the Non-Federal Sponsors as set forth herein is subject to (1) the Government's retention of a non-exclusive, non-transferable, irrevocable, paid-up license to practice or to have practiced by or on behalf of the United States the waived invention throughout the world, (2) the Government's ability to exercise march-in rights as set out in 35 U.S.C. 203 or other comparable provisions for ensuring the desirable commercialization of the waived inventions as provided by the Assistant General Counsel for Technology Transfer and Intellectual Property, and (3) imposition of the preference for U.S. Industry Provisions of 35 U.S.C. 204.

If a Sponsor declines the waiver, the Work for Others Agreement may provide that the Contractor's prime contract applies. The Contractor's records in such agreement should reflect in writing that the Sponsor has declined the waiver. Whenever the Sponsor is not taking title to an invention, the terms and conditions of the prime contract between the Contractor and DOE shall normally apply.

The grant of this Class Waiver should not result in adverse effects on competition or market concentration. If the Sponsor or the Contractor is not making reasonable efforts to utilize a waived invention, the Department can exercise its march-in or other comparable rights and require licensing of the invention.

Accordingly, in view of the statutory objectives to be obtained and the factors to be considered under the Department's statutory waiver policy, the objectives of Public Law 101-189, and Executive Order 12591, all of which have been considered, it is concluded that this Class Waiver as set forth above will best serve the interest of the United States and the general public. It is therefore recommended that the waiver be granted.

Michael P. Hoffman

Michael P. Hoffman
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Office of the Assistant General
Counsel for Technology Transfer
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Date: 4/4/96

Based on the foregoing Statement of Considerations, it is determined that the interest of the United States and the general public will best be served by a waiver of United States and foreign patent rights as set forth herein and, therefore, the waiver is granted.

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